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Inventor(s): John Shaw et al.

Appn. Title: Method and System for Facilitating Secure Transactions

Examiner/GAU: Oyebeisi, Ojo / 3695

Declaration of Jack Vensel

I, Jack Vensel, being over the age of eighteen and competent to testify, make the following declaration:

1. I hold a Bachelor of Science degree in Accounting from Boston College, and a Master of Business Administration degree from Harvard Business School. My educational background has given me knowledge and expertise necessary in the field of securities trade automation – a field that almost exclusively involves computer-based automation and communication software and hardware.
2. I have 20 years of experience in the securities trading business, and have substantial expertise in financial instrument trading technology and the firms that use such technology. From 1991 to 1992, I was a Financial Representative at Fidelity Investments. From 1992 to 1999, I was Vice-President of Soft Commission Services at Instinet Corporation, a leading company and pioneer in the automated trading industry. At Instinet, I led the sales, marketing, and management of "soft dollar" trading products to institutional clients, and was responsible for one-quarter of all the institutional shares traded at Instinet. I am very familiar with the trading systems that existed during this time, including their advantages, disadvantages, operating principles, and overall characteristics.
3. From 1999 to 2002, I was Executive Vice-President of Sales at Island ECN, Inc., a company that played a key role in redefining how stocks and other securities are traded. Island is an electronic communication network (ECN) – i.e., an electronic marketplace that enables market professionals to display limit orders for stocks and other securities, thus directly matching buyers and sellers. I was responsible for 26 billion executed shares in 1999, 54 billion executed shares in 2000, and 90 billion executed shares in 2001. While at Island, I initiated and maintained close relationships with the Chief Executive Officers, Chief Technology Officers, and Chief Operating Officers of leading financial services firms. These firms included top NASDAQ participants,

Risk/Arbitrage desks, Exchange Traded Fund (ETF) desks, Listed desks, Proprietary trading, and Agency program desks. I also developed and maintained close relationships with suppliers of securities trading systems, as well as their client base.


4. From 2006 to 2009, I was Executive Vice-President of Sales and Marketing at Automated Trading Desk LLC, LLC, a pioneer in the development and creation of systems and software for automated limit-order trading. At Automated Trading Desk, I led the organization responsible for selling securities trade execution services as well as options routing. I also was a member of the Executive Committee, and as such was intimately familiar with all aspects of the company's business, including securities trading products and systems.

5. From 2009 to the present, I have been the Managing Director and Head of Electronic Trading at Citigroup, the well-known global financial services firm. I am responsible for the Sales Trading, Algorithm Development, Statistical Arbitrage, Warrants Trading (CATS), Market Making, and Option Market Making organizations at Citigroup. I developed and implemented Citigroup's sell side business, and oversaw the globalization of infrastructure across all areas of Electronic Trading. I am a recognized market structure expert.

6. All the above experience has given me extensive knowledge of the methods, processes, software and hardware used by others in the securities business to accomplish trade automation, as well as a detailed and expert understanding of the requirements and constraints placed on these systems by traders, portfolio managers and other financial services providers. Indeed, I have been associated with trading and trading technology since I started in the securities business in 1991, including explicit familiarity with the various innovations in crossing and matching trading systems.

7. I have reviewed the Shaw et al. patent application ("Shaw"), as well as the SEC reference and LimiTrader system discussed therein.

8. A key difference between Shaw and the LimiTrader system is that LimiTrader does not send a match notification message to each counterparty. Instead, LimiTrader sends a message only to parties with an existing order that is contra to a just-submitted order. Please see the SEC reference, page 3 at *8: "LimiTrader will dial-up the participant that entered the existing orders."



9. Indeed, LimiTrader dials two existing-order parties that are each contra to the party with the just-submitted order. Whoever responds first by contacting the party with the just-submitted order can begin a negotiation. Please see the SEC reference, page 3 at *8: "The first participant so notified that responds to the incoming order may begin an automated negotiation process."


10. After notifying existing-order parties only, the LimiTrader system has nothing further to do with the parties unless a trade results. Please see the SEC reference, page 3 at *8: "The Company is not involved in such negotiation and is not aware that a negotiation is occurring or has occurred unless a trade results."

11. Modifying the LimiTrader system to switch from notifying existing-order parties only to notifying both counterparties simultaneously would not have been obvious as of Shaw's May 1999 priority date, because it would entail significantly changing the stated purpose and very core of the LimiTrader system. The way users are informed of a potential match, as well as the way users interact with the system and with each other, are fundamental operating principles of any matching system. Changing these aspects would thus alter LimiTrader's central purpose and basic operating principles.

12. Moreover, such a modification would have been expensive, technically complex, and logistically difficult. It would have required assembling a team of highly specialized technology and trading experts to build the functionality necessary for such a modification.

13. In addition, such a change would not have been obvious because certain advantages of LimiTrader's method and protocol for match notification would be lost. Specifically, contacting only multiple existing-order parties, as LimiTrader does, has a success probability, efficiency and speed advantage versus contacting the matching counterparties coincidentally, as Shaw does. If the matching counterparties are contacted coincidentally, there is a chance that one side or the other won't be interested, and then the system must start all over again. If multiple existing-order parties are contacted first, as in LimiTrader, there is a better chance that at least one of the existing-order parties will be interested. Then when the existing-order party contacts the incoming-order party, the chances that a trade will occur are higher because the existing-order party is already guaranteed to be interested - otherwise it would not have contacted the incoming-order party.

14. Success probability, efficiency and speed are very important in trading system operations, and clearly it is important to LimiTrader. Indeed, the combined advantages of success



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probability, efficiency and speed is a key reason that LimitTrader calls two existing-order parties at a time – to speed up the trading process and increase the odds that at least one of the existing-order parties will be interested.

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Jack Vensel

4 Jan 2011

Date